

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 749 – HB 889

March 13, 2017

**SUMMARY OF ORIGINAL BILL:** Requires police officers who are members of the state retirement system to be eligible for service retirement upon completion of 25 years of service.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Expenditures – Exceeds \$4,000,900\*

**SUMMARY OF AMENDMENT (004009):** Deletes and rewrites the bill such that an officer retiring after 25 years of service will receive benefits computed as service retirement reduced by an actuarial equivalent of the retirement allowance pursuant to the rules promulgated by the Department of Treasury. Authorizes local governments to require officers retiring early to pay for any insurance coverage provided to members.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase Local Expenditures – Exceeds \$2,066,000\*

Assumptions for the bill as amended:

- Based on information from the Tennessee Consolidated Retirement System (TCRS), the total recurring payroll for local police officers is estimated to be approximately \$206,600,000.
- Increasing early retirement options for police officers will result in a shift in the overall pattern of retirement for police officers, increasing the liability of the retirement plan.
- The precise shift in timing and magnitude of any police officers' retirement cannot be reasonably determined.
- Based on information provided by TCRS, the total mandatory recurring increase in local government expenditures for the increased liability is reasonably estimated to exceed one percent of total payroll or \$2,066,000 (\$206,600,000 x 1.0%).
- Certain insurance premiums can currently be withheld from retirement benefit payments when a retiree is covered by an insurance plan. Authorizing local governments to require premium payments will result in a net impact that is not significant.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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